

U.S. Housing Outlook: Good Despite Rate Headwinds

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Speakers

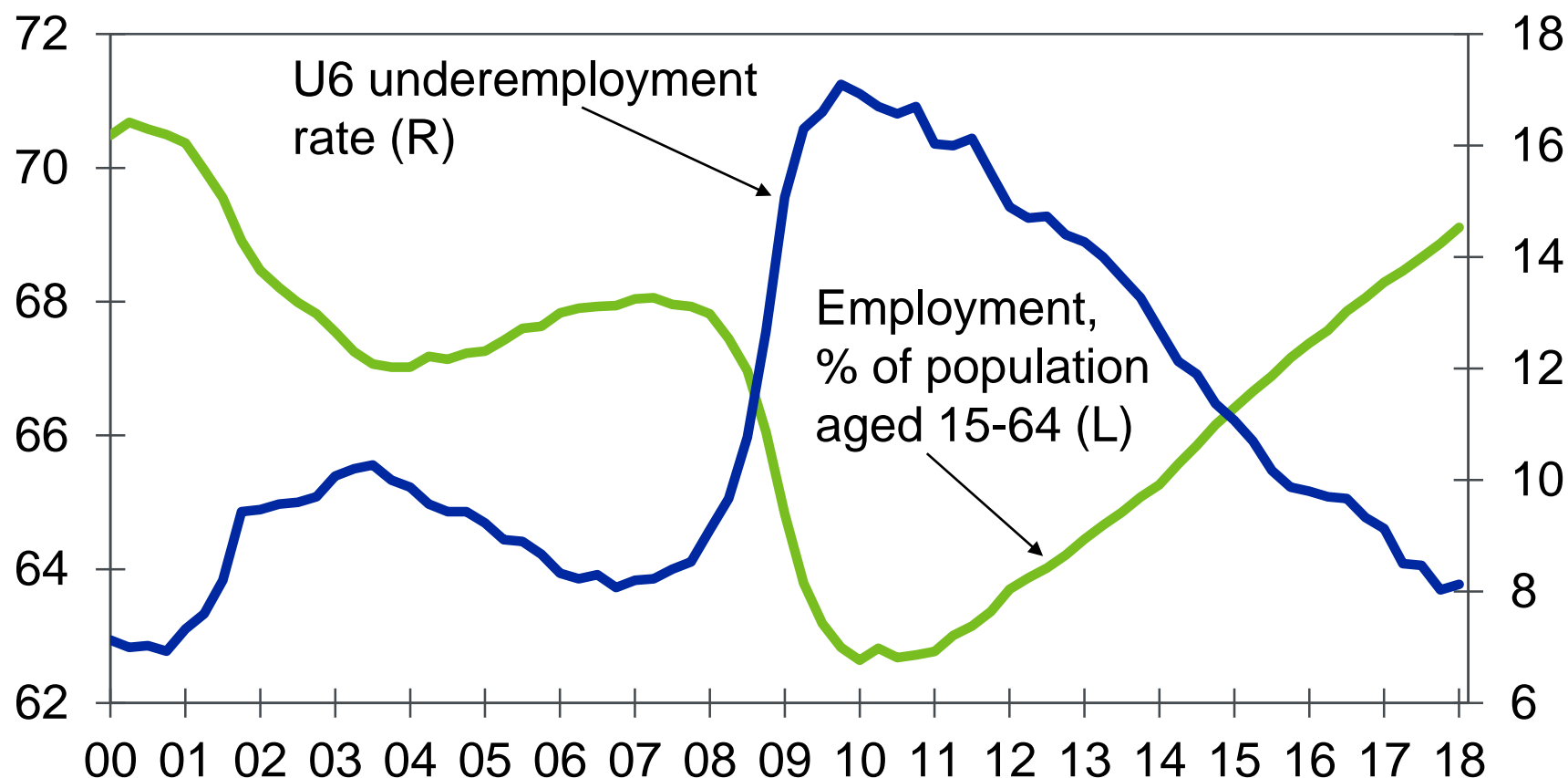


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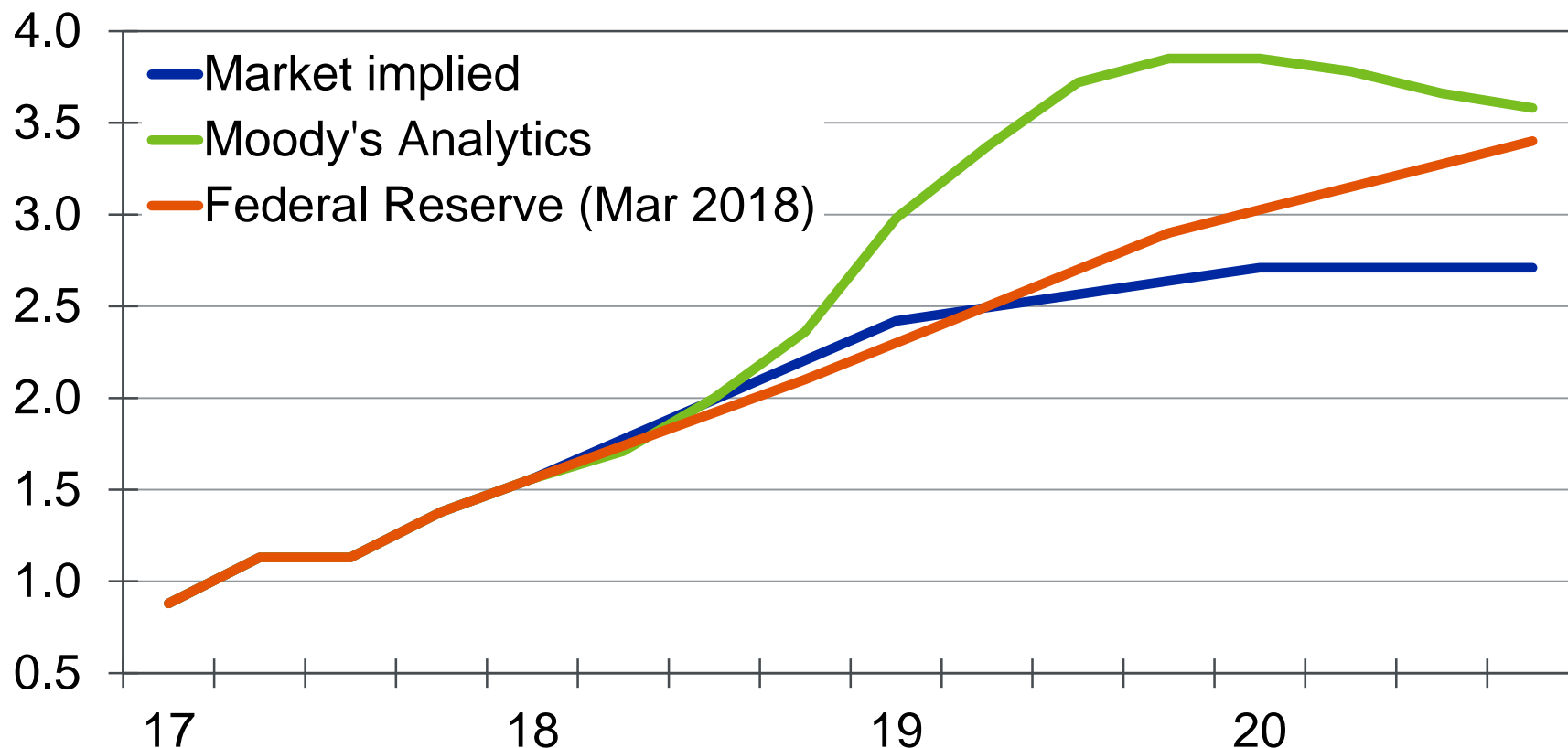
Tighter and Tighter, Goes the Labor Market



Sources: BLS, Census Bureau, Moody's Analytics

Labor Market Optimism = Policy Pessimism

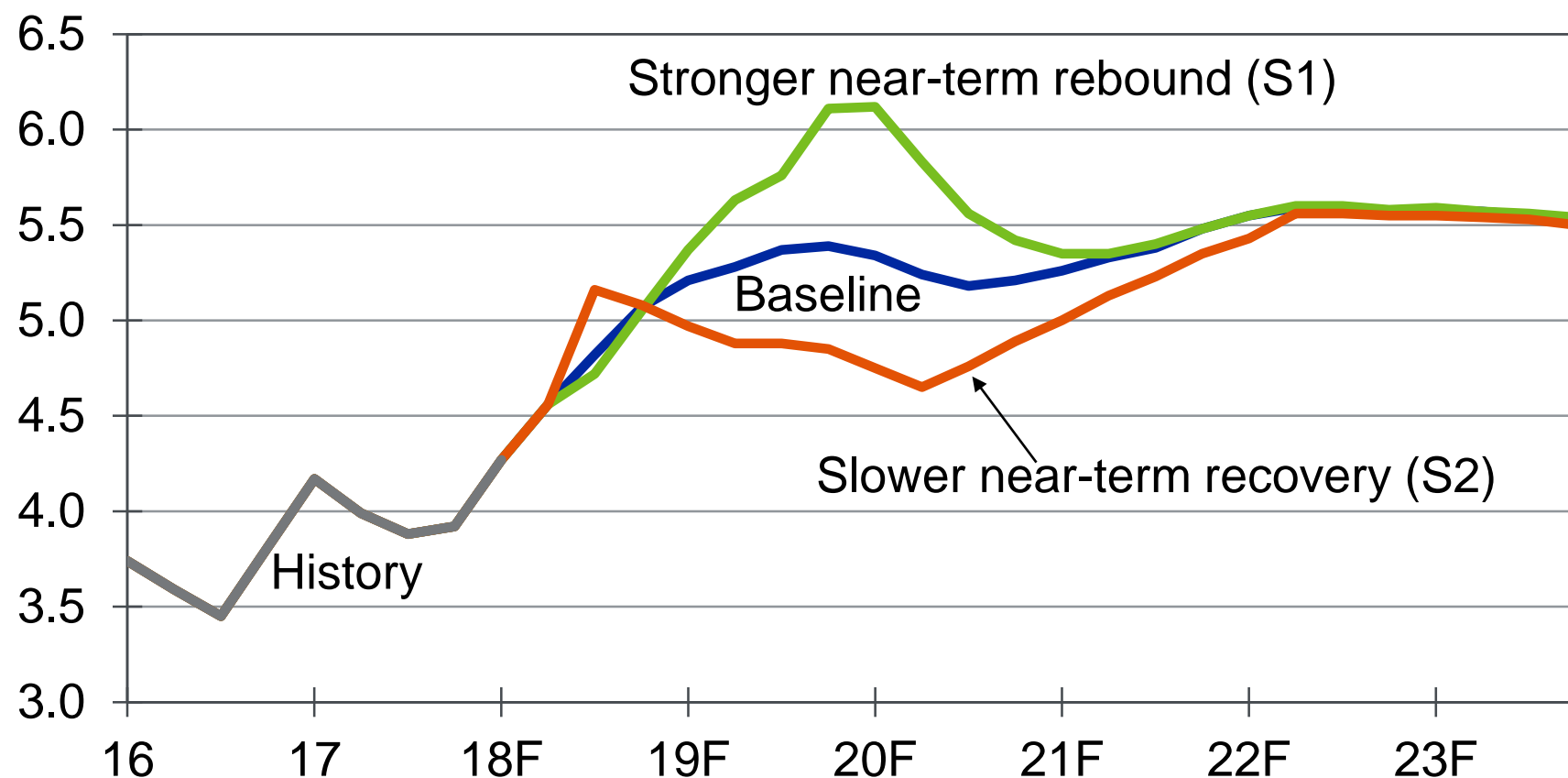
Federal funds rate, %



Sources: Federal Reserve, Bloomberg, Moody's Analytics

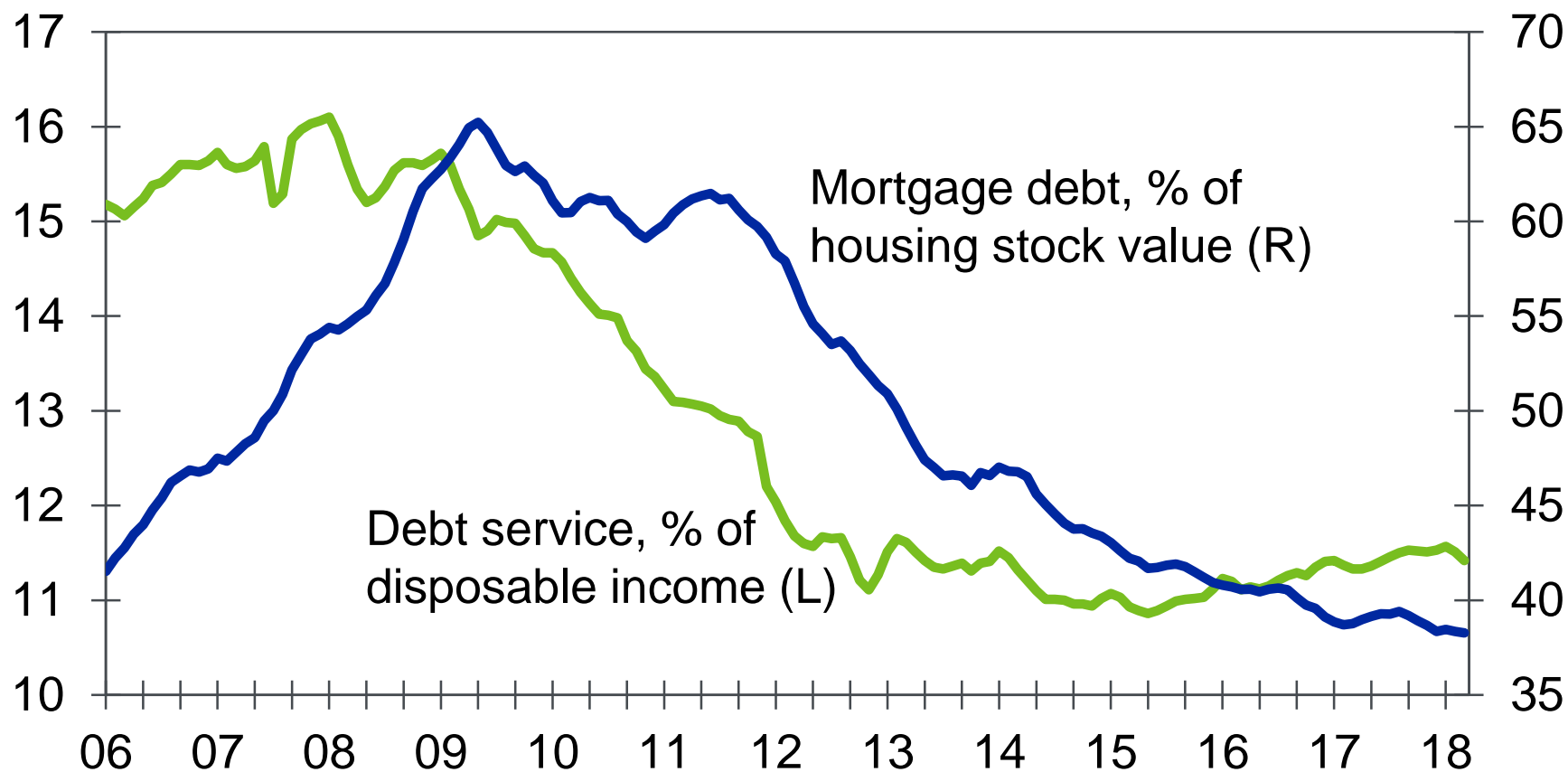
Consequently, Mortgage Rates Will Follow

Freddie Mac 30-year fixed mortgage commitment rate, %



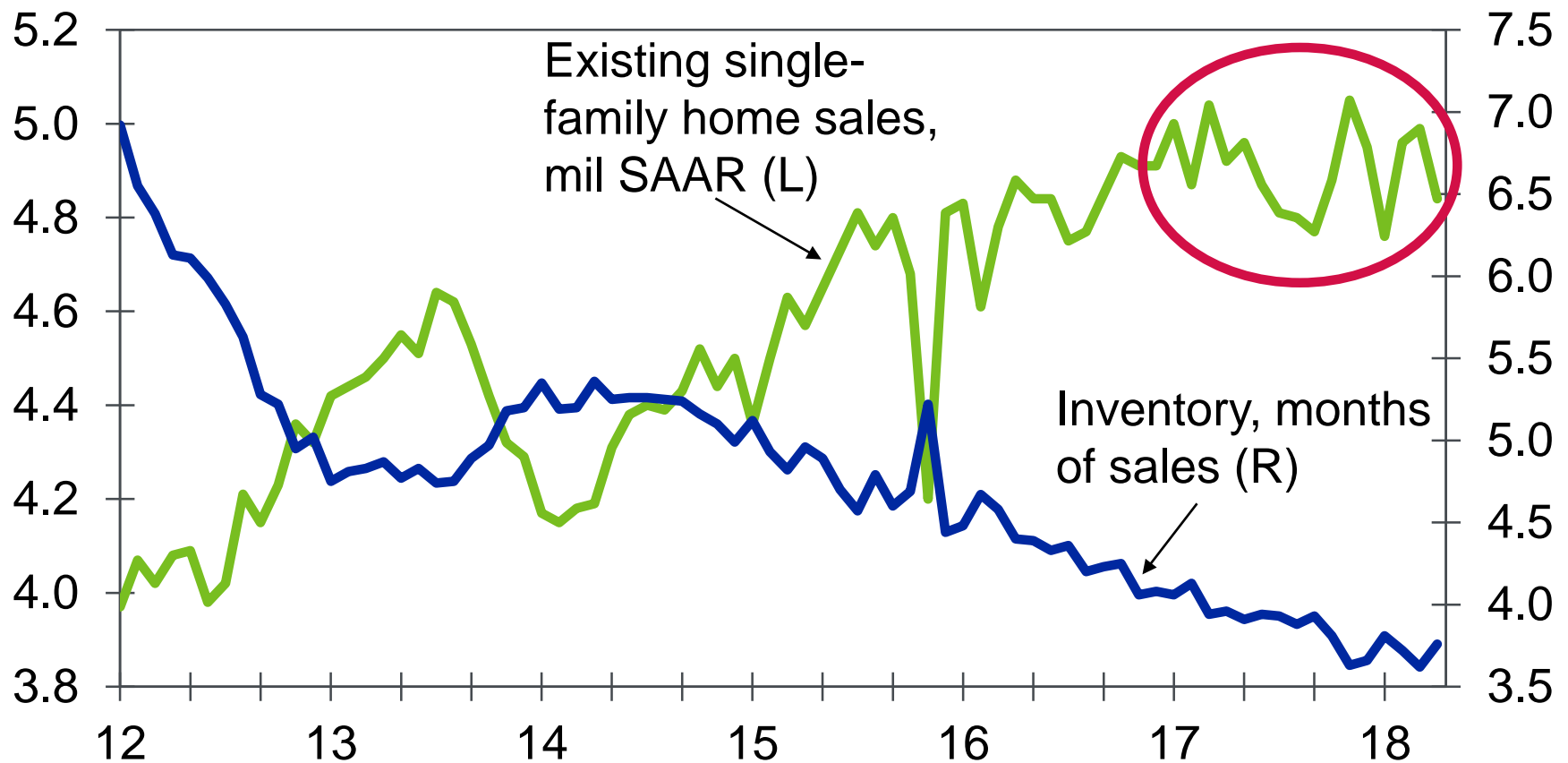
Sources: Freddie Mac, Moody's Analytics

Credit Quality: So Far So Good



Sources: Equifax, BEA, NAR, Moody's Analytics

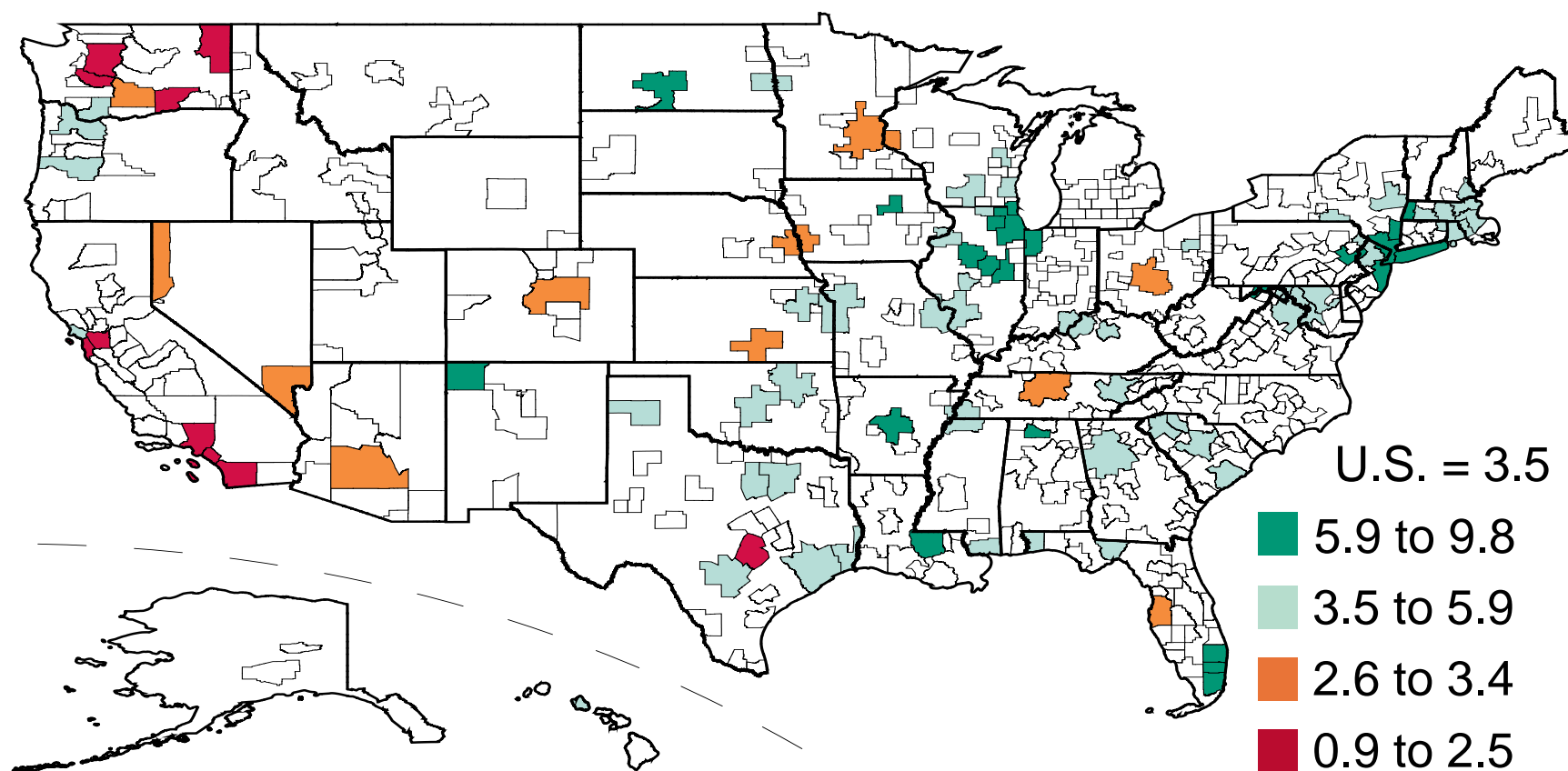
Home Sales Level Out, Listings are Scarce



Sources: NAR, Moody's Analytics

Markets Are Tighter in West

Inventory to sales ratios, months of sales, NSA, 2018Q1*

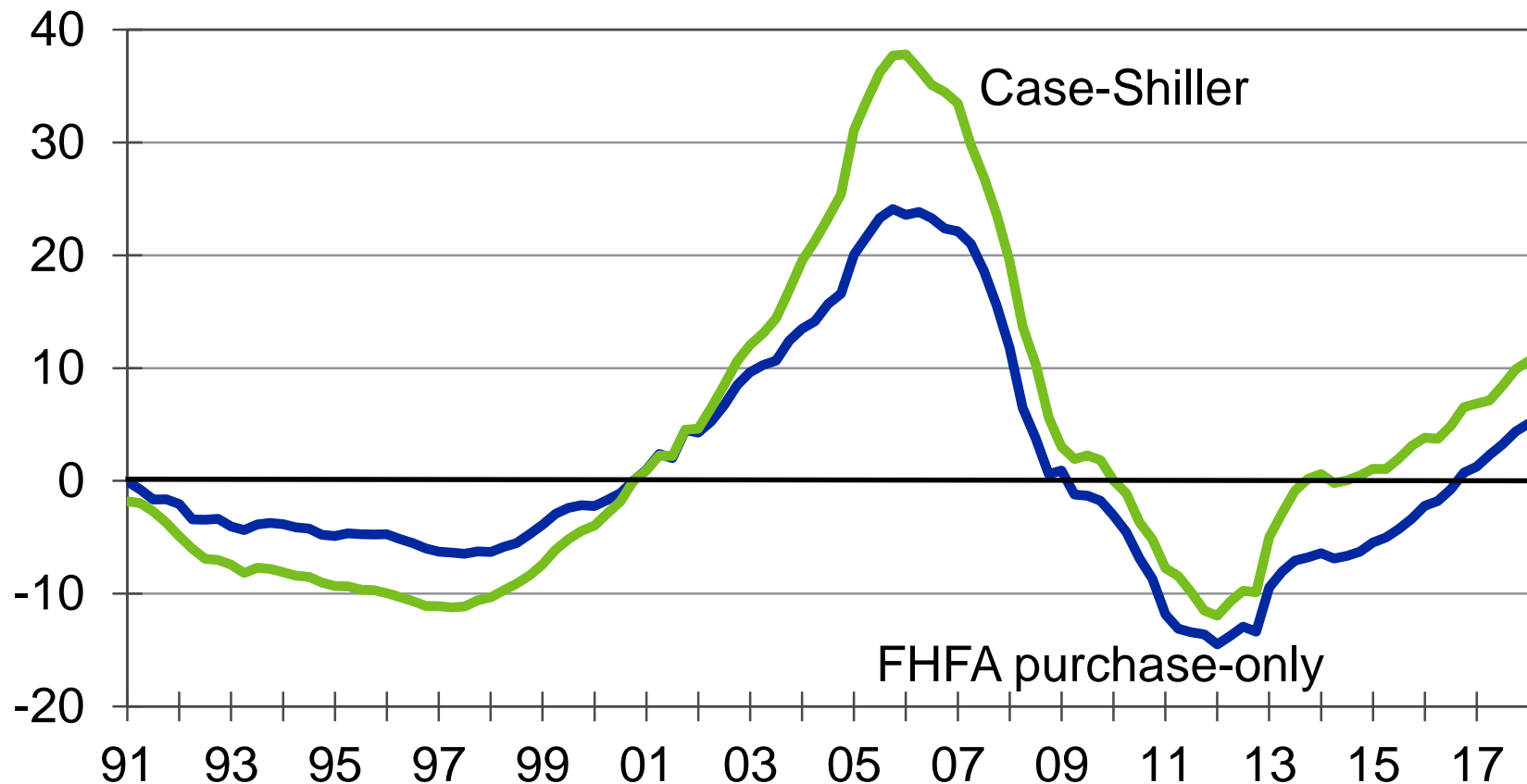


Sources: NAR, state realtors, Moody's Analytics

* 2017Q4 for Kennewick, WA

Prices Edge Towards Overvaluation

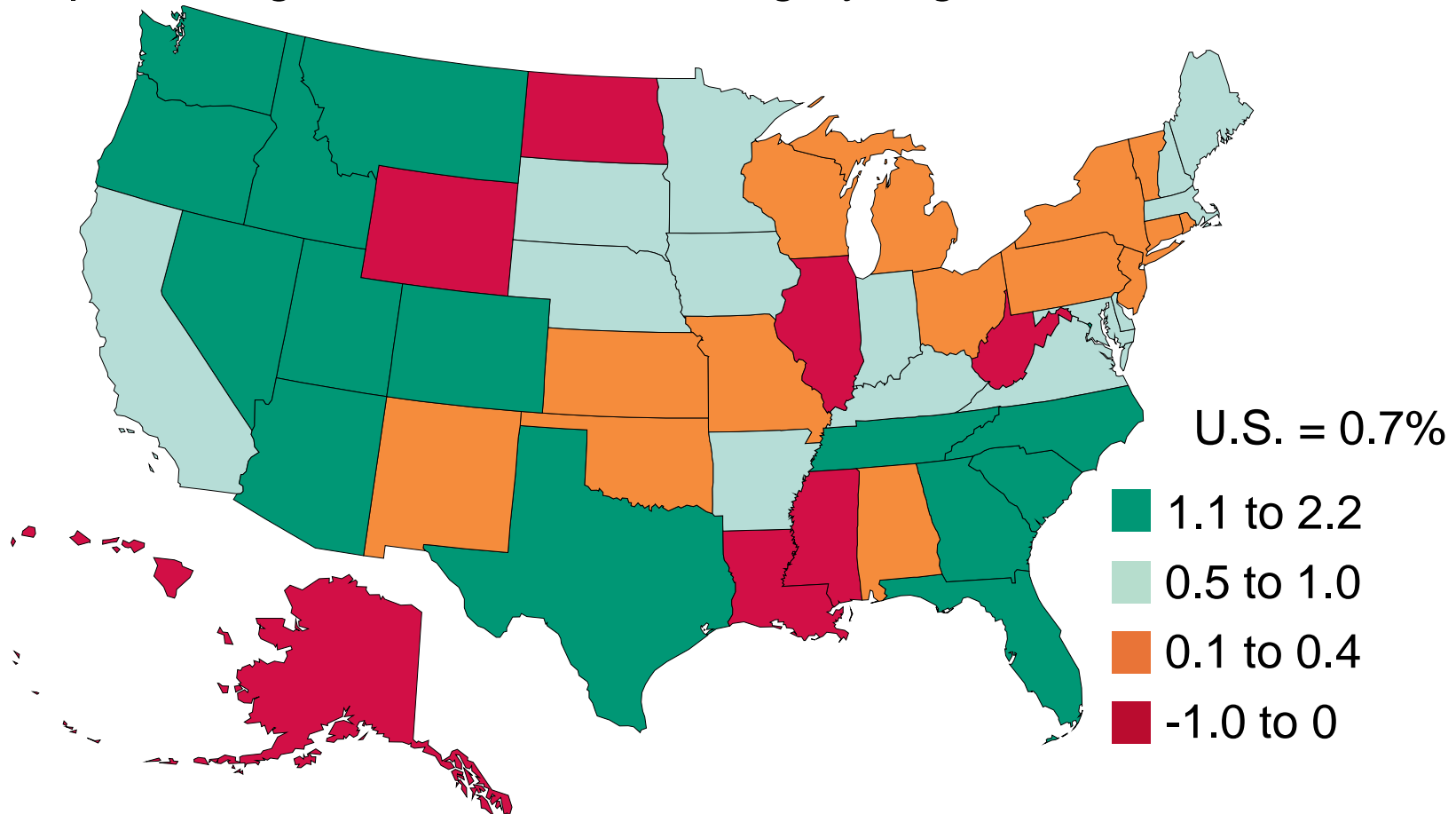
U.S. house price indexes, % over equilibrium trend



Sources: CoreLogic, FHFA, Moody's Analytics

West and South Lead Population Gains...

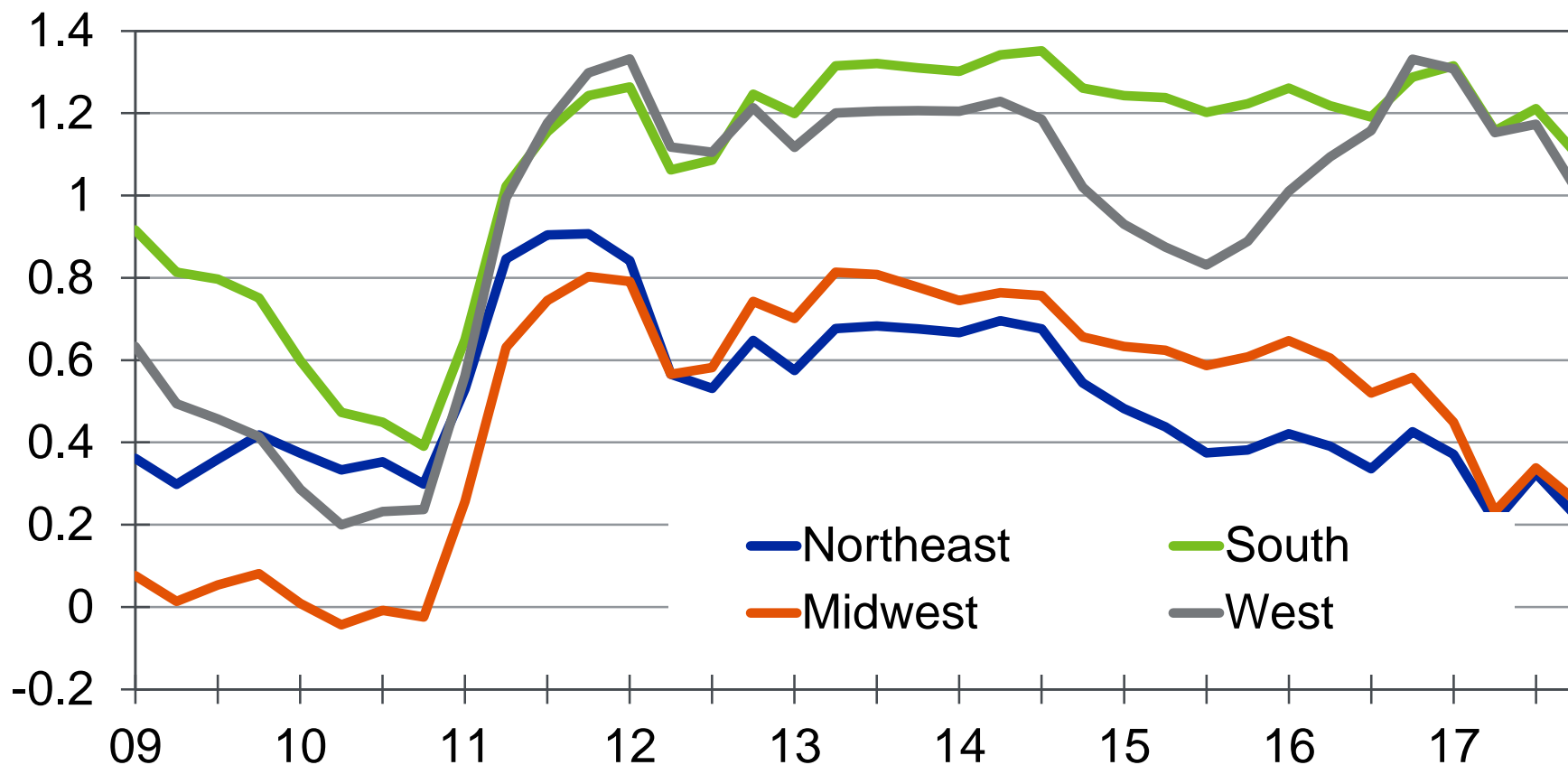
Population growth, 2017, % change yr ago



Sources: Census Bureau, Moody's Analytics

...And Household Formation

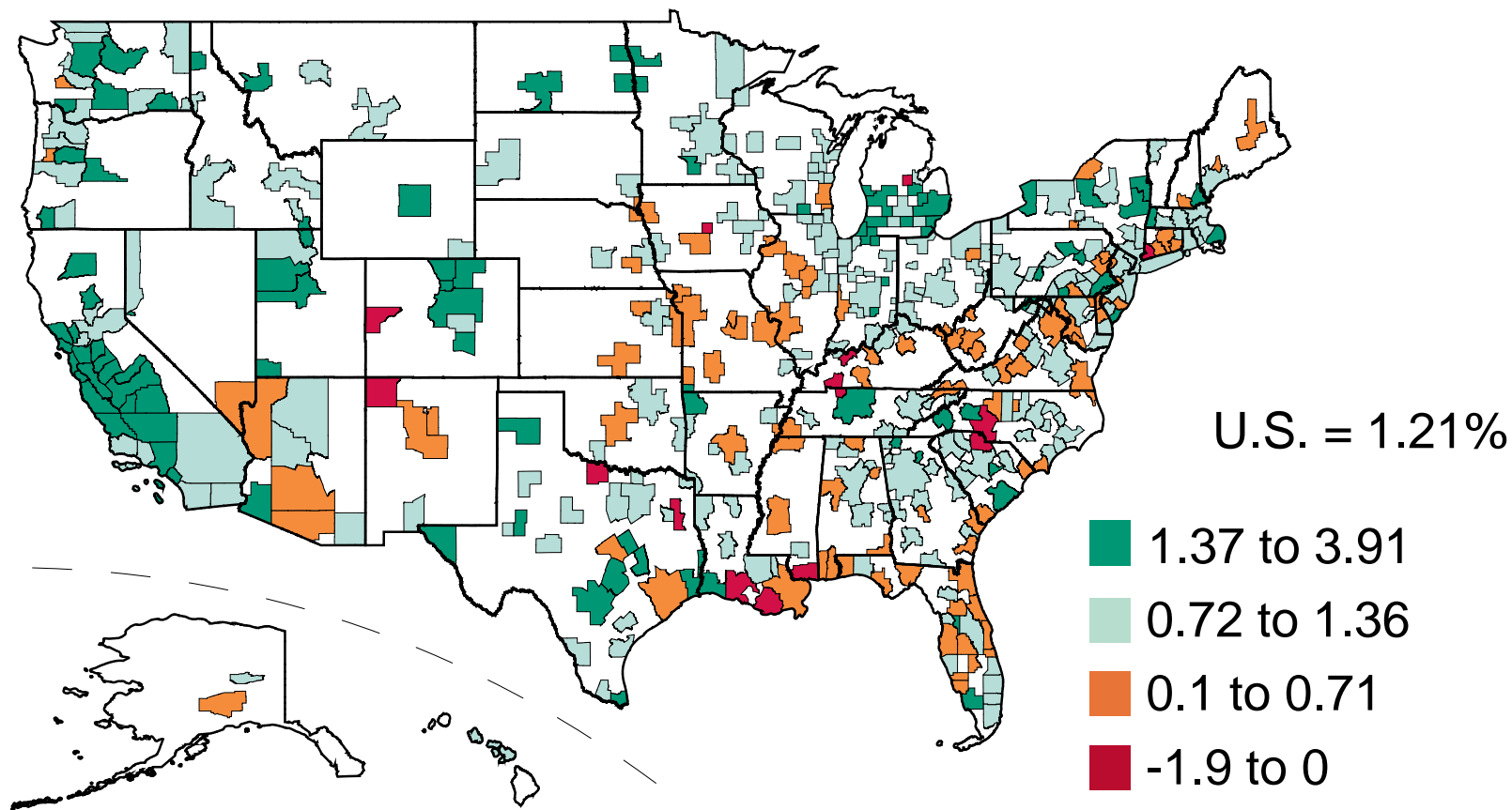
Households, % change yr ago



Sources: BOC, Moody's Analytics

Income Gains Push Housing Demand

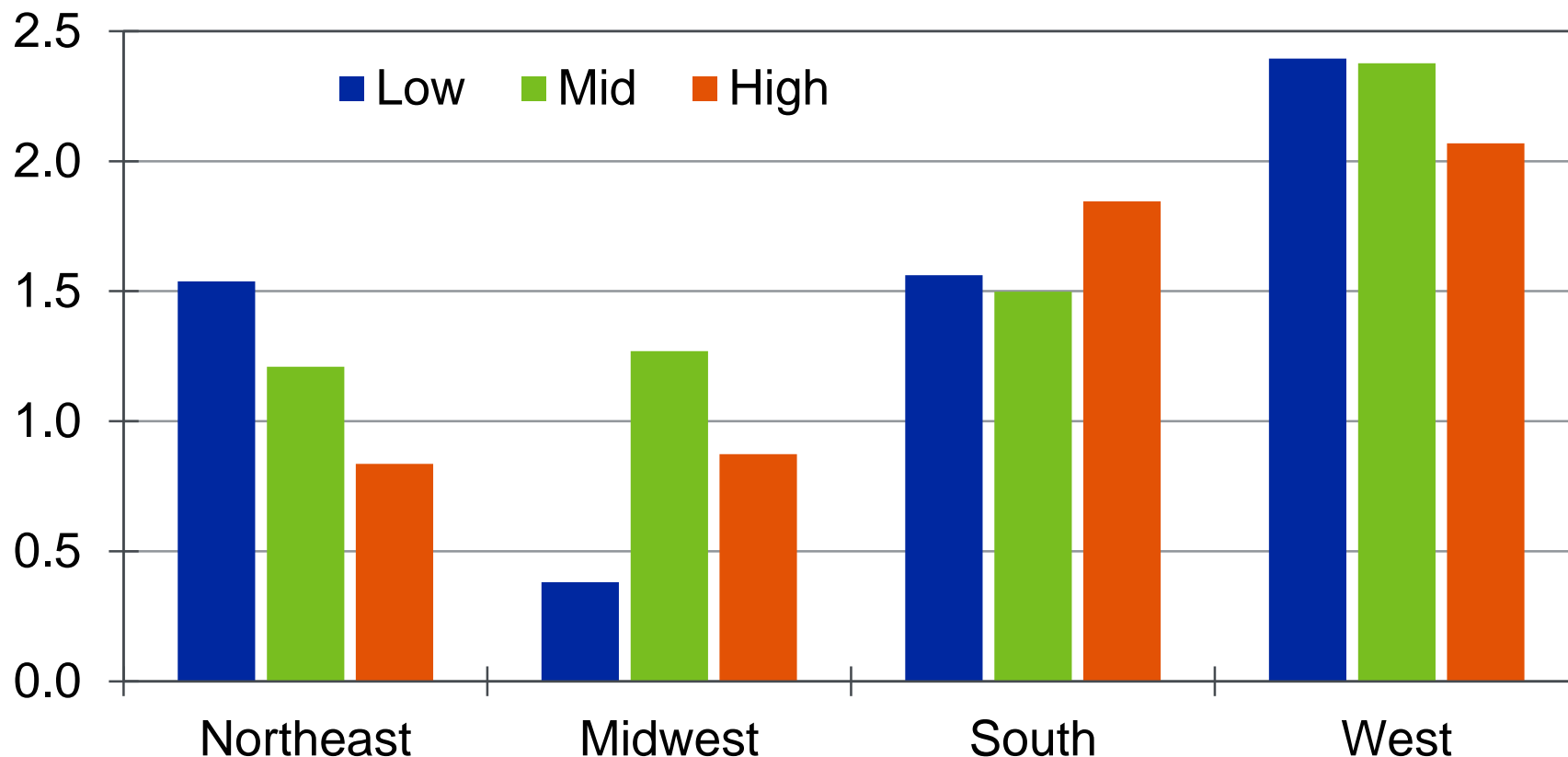
Per capita disposable income, avg. annualized % ch, 09q2-17q2



Sources: BOC, Moody's Analytics

Job Quality Matters

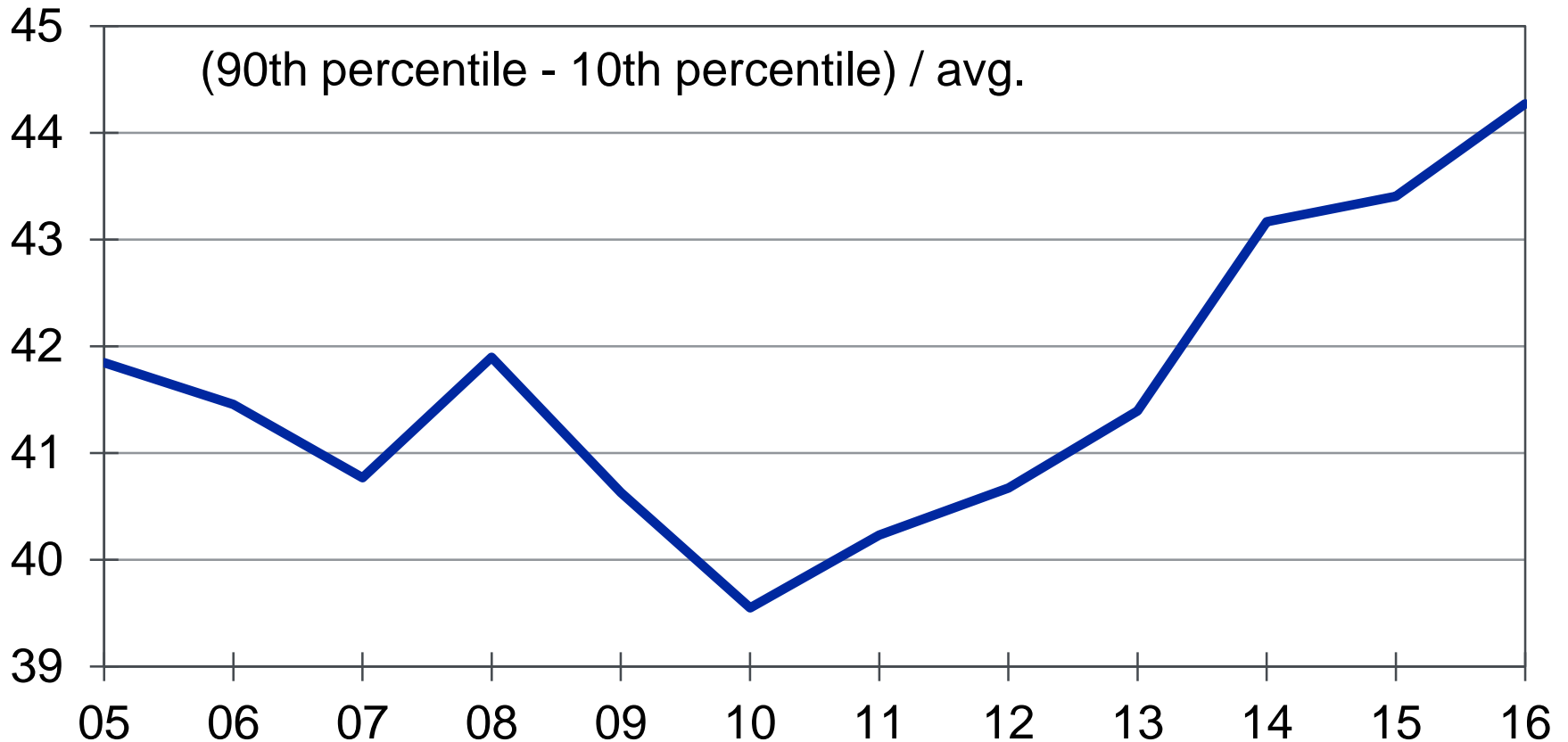
Job growth by wage cohort, % change yr ago, 3-mo MA, May 2018



Sources: BLS, BEA, Moody's Analytics

Metro Area Income Distribution Widens

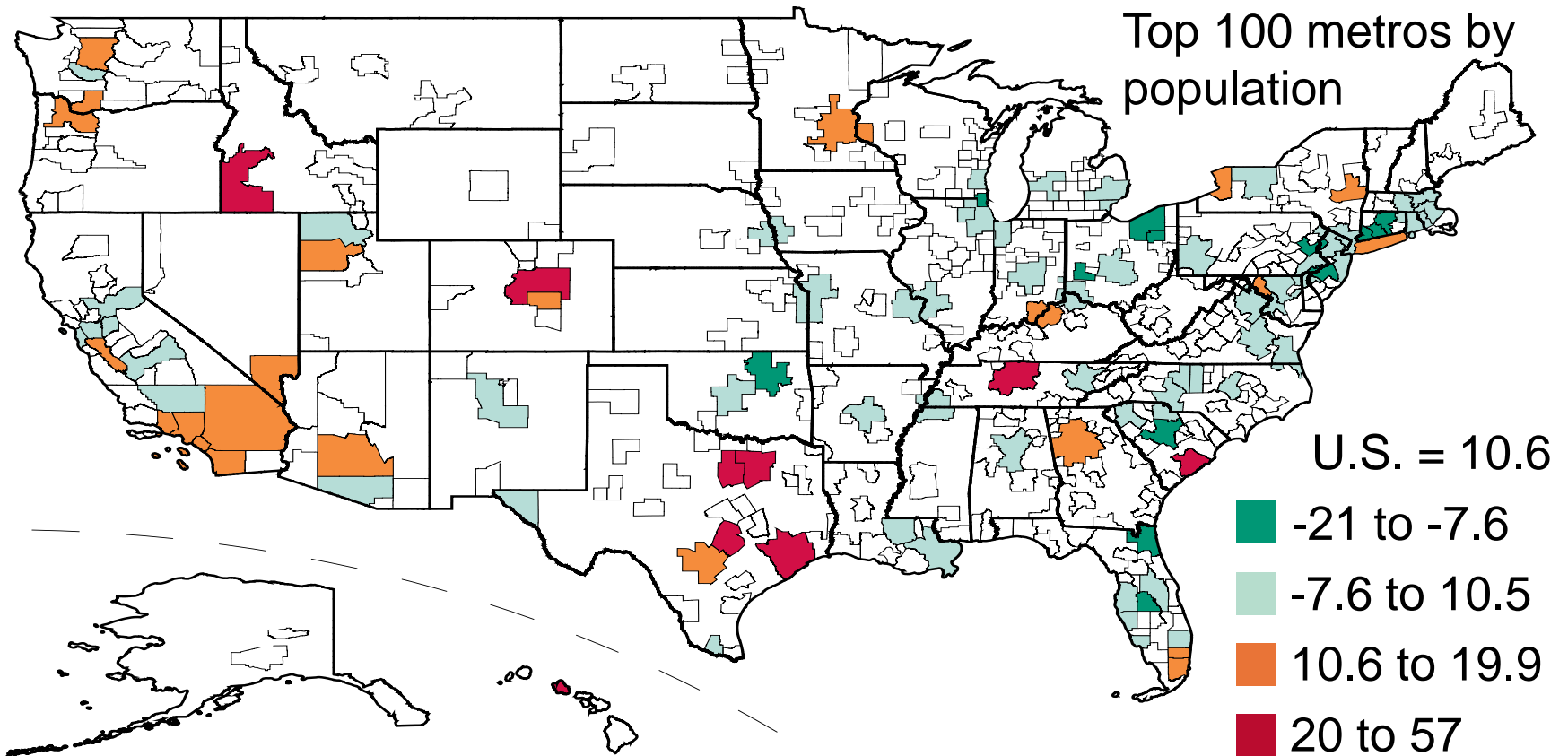
Median household income distribution, 100 largest metro areas, %



Sources: Census Bureau, Moody's Analytics

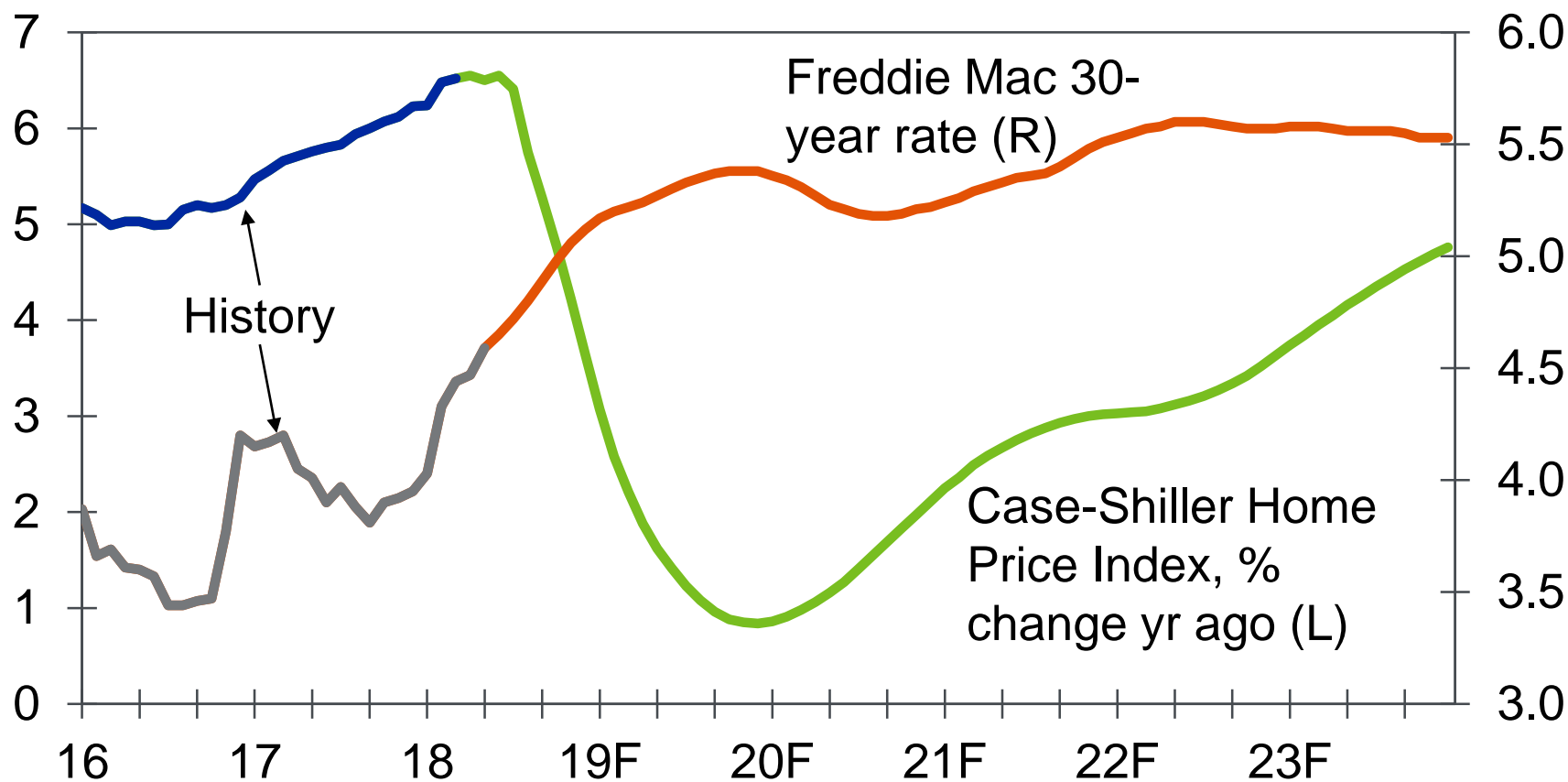
Danger Signs for Texas, Southwest

Case-Shiller Home Price Index, % over or below trend



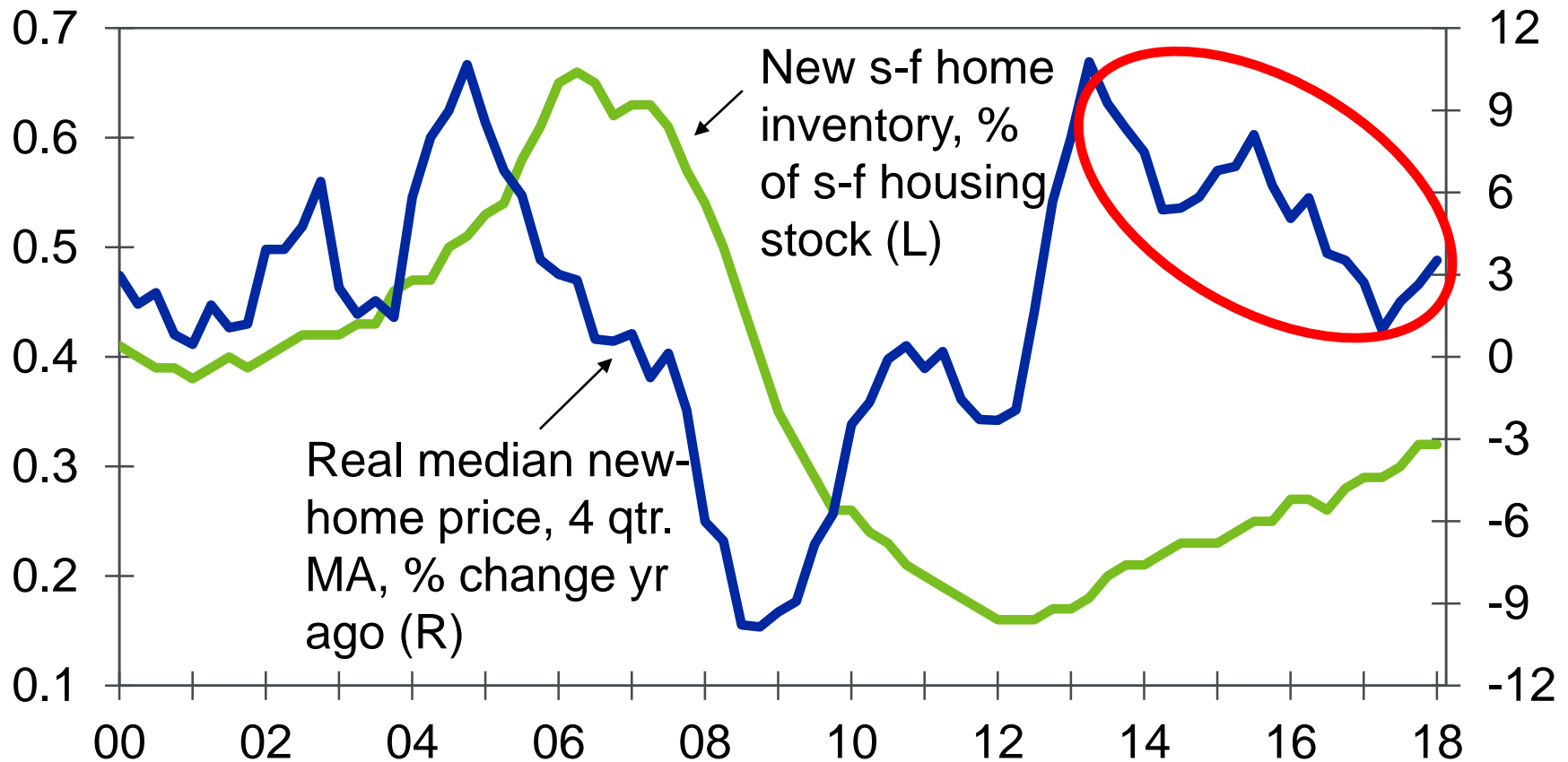
Sources: CoreLogic, Moody's Analytics

Higher Rates Take Bite Out of Price Growth



Sources: CoreLogic, Freddie Mac, Moody's Analytics

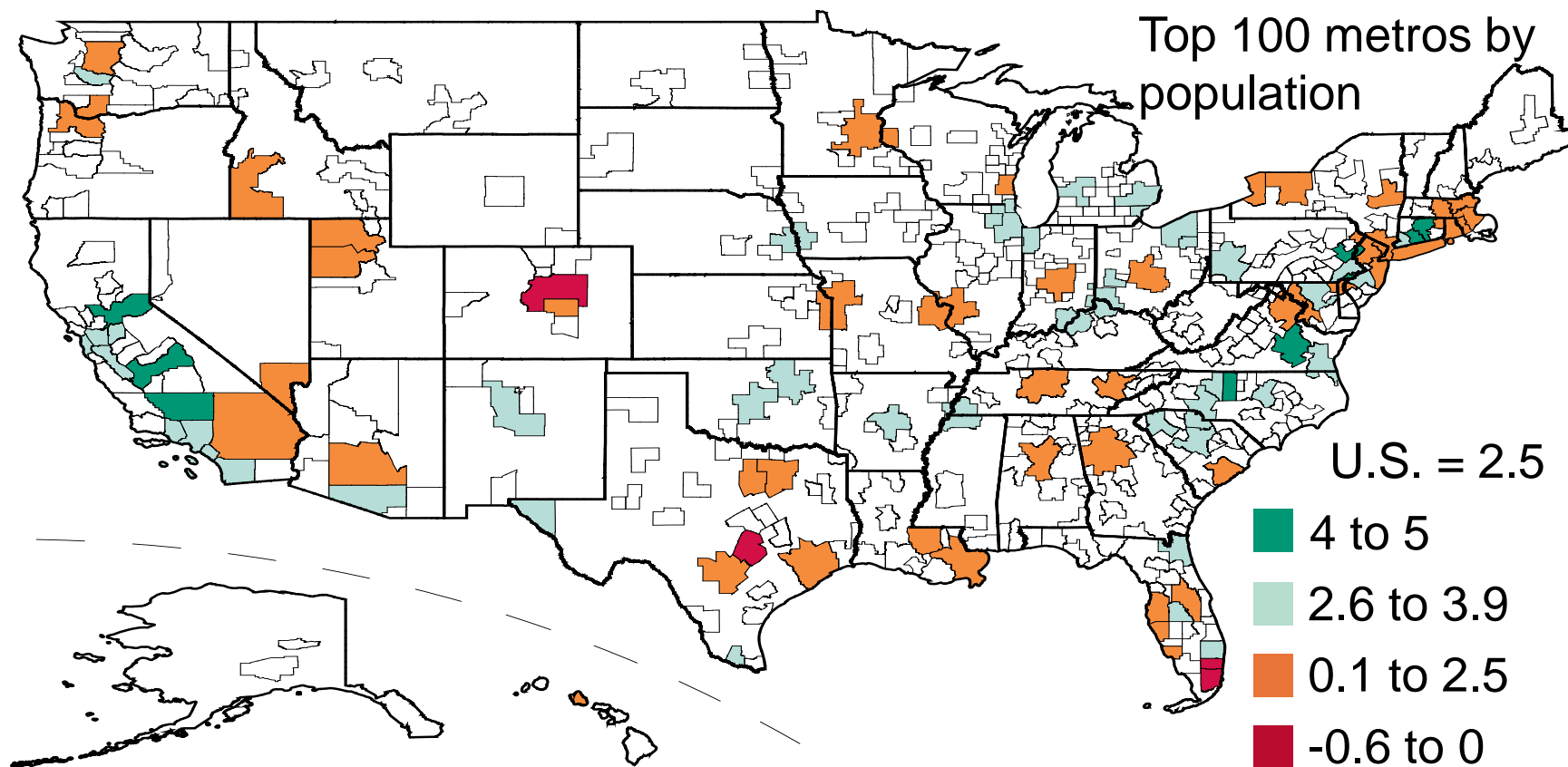
New Homes Pull Down on Price Growth



Sources: Census Bureau, BLS, Moody's Analytics

Danger for Denver, Austin, Miami

Case-Shiller HPI, avg. annualized % change, 2018Q1-2023Q1



Sources: CoreLogic, Moody's Analytics

Housing Market Outlook in Bullets

- » Short-term downward pressure on housing demand is from (a) projected increase in mortgage rates over next year and a half, (b) reduced tax deductibility of home ownership and (d) overvaluation in some metro areas.
- » Outlook is for deceleration in prices through 2019, followed by recovery in appreciation starting in 2020.
- » Assumption: downward pressure on housing demand translates into slower price appreciation, *not* reduced home sales. On the contrary, outlook for home sales is positive in 2018-2019.

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